



WBCSD Liaison Delegate Meeting

16-20 March 2009
Montreux, Switzerland



The 2009 Liaison Delegate Meeting welcomed 235 participants to Montreux, including 185 members and 20 Regional Network partners. With “Weathering the storm” as the theme, the program aimed to look at how business can align short-term survival strategies with long-term sustainability and profitability in these uncertain times.

Tuesday’s plenary sought to provide a “sustainability survival kit”, looking at practical and tactical approaches to making sustainable development work for business success despite the downturn. Wednesday was dedicated to Focus Area Working Groups and Learning by Sharing sessions, with other working groups also held on Monday and Friday.

Key takeaways

- The world cannot succeed without business as a committed solution provider to sustainable societies and ecosystems.
- Public awareness of sustainable development is on the rise and increasingly influencing consumption and lifestyles.
- After some 20 years, sustainable development has arrived, having moved from awareness raising to implementation.
- Surveys show that trust in business is down and trust in CEOs is very far down. Honest companies make honest mistakes but are suffering greater consequences than a few years ago. As a result, governmental oversight of business will grow and business will need to regain trust in order to maintain its license to operate, innovate and grow.
- The move to a low-carbon economy will happen regardless of the outcome of Copenhagen.
- Companies are increasingly involved in addressing the poverty challenge and inclusive business, gaining a deeper understanding of the barriers to and opportunities for innovating while doing business with the low-income segment.
- All forms of biodiversity/ecosystem loss (pollution, conversion, over-exploitation, invasives, etc.) have implications for business, and governments need to make conservation more attractive to business through smart enabling regulation.
- Companies understand that they cannot bring about sustainable consumption alone, and that consumers can make informed decisions for themselves about what is sustainable. The idea is to consume sustainably, not to consume less.
- On valuation, companies and investors need to link up and close the gap on understanding what is needed for informed investment decisions.
- In this time of crisis, evidence is mounting as to just how much people matter. Companies need to focus on talent, skills and sustainable development.

President’s status report - “A world in transition to sustainable development”

“For me, when I look at the world, sustainable development has arrived,” WBCSD President Bjorn Stigson noted in his opening remarks. Having worked on it for 20 years, starting with awareness creation, we are now into implementation, with sustainable development becoming an ever more strategic imperative. We are also facing a bigger role for governmental oversight, and at the same time, public awareness of sustainable development is also growing, and increasingly influencing consumption and lifestyles.

“The world cannot succeed without business as a committed solution provider to sustainable societies and ecosystems,” he said, describing a world in transition: in 2005 the GDP of emerging

economies outstripped that of developed economies; also potentially providing the bulk of tomorrow's consumers. These consumers are increasingly urban, and the move from rural to urban living results in increased resource use in developing countries (the reverse is true in developed countries). In 2050, 70% of the world's population will live in urban areas requiring a tremendous need for new or improved infrastructure. "Yes, we have a challenge right now in the economy: we have a recession. Despite this, there is enormous growth in front of us – a great investment opportunity for business," Bjorn said.

In our increasingly connected world, the financial crisis has triggered a broader concern for systems thinking and solutions. In the center, we have society, the economy and the environment. These are influenced by mindsets, equity, a shared vision, values and priorities. We need solutions that respond to these mindsets and tackle problems from technology to regulations and from finance to infrastructure. When implementing solutions, business comes in at the local and national level, sometimes regional. "The low-carbon economy move is happening regardless of the outcome of Copenhagen," partly because of business' involvement at all of these geographic levels.



"It will be a clean, lean and mean industrial revolution and will require that governments and business work together and, importantly, it will require trust in that relationship."

Trust and reputation – Principles and practices

The first plenary discussion grappled with the elusive subject of trust and reputation. "A few years ago, the Edelman Trust barometer indicated that trust in business was high. Today, trust in business is down and trust in CEOs is very far down," said the moderator Carola Teir-Lehtinen, corporate vice president, Sustainability, at Fortum Corporation.

So is business responsible for this loss of trust? When polled, a large majority of participants said yes, this loss of trust was deserved to a greater or lesser extent.

Mr. Christian-André Weinberger, corporate senior vice president, Henkel, said, "Now is time to get vocal about sustainability as it will affect your bottom line and enhance your reputation, keeping your company in business: get relevant for the consumer; be authentic and transparent; throw the challenge to science; deliver performance based on sustainability; turn the threat into a reward system; shift from avoidance to achievement currencies; reestablish quality and expertise."

Egil Myklebust, senior adviser and chairman of the WBCSD Climate Negotiation Taskforce, said that individual companies and business in general have to accept that trust and reputation will be essential to their future. He also noted that "markets do not function properly without regulation, but regulation needs to be sensible and address real issues," and as such, needs to include the voice of business.

The green economy: Business life saver?

Many question whether business can focus on sustainable development when it needs to focus on survival. But is it really one or the other? Or is the so-called "green economy" a business life-saver, throwing us opportunities to ride out a rough economic sea?

A recent article in the *Financial Times* stated that "Leading companies say sustainability is just as important in a





financial crisis” and 60% of participants in this session agreed that this is true. Encouragingly, a vast majority said they were confident that their company will survive and create value in these difficult times.

“There is uncertainty in the markets that we are operating in,” said Mark Spelman, global head of strategy at Accenture, who moderated the session. “Uncertainty tends to mean that you need a lot of flexibility in the way you operate your businesses.” So what opportunities can be found in the “green economy” and is it a business life saver now or somewhere down the road? Mark asked the two speakers to consider whether we can focus on sustainability and sustainable development when many companies are in survival mode.

Thomas Leysen, chairman of Umicore, said that his 200-year old company’s successful transformation over the last 10 years from an “old economy” business is due to consistent messaging and the ability to sell the story to the financial markets. “If you explain a credible, long-term strategy and don’t mess up in the short term, financial markets will buy it and your company can come out successful in the long run,” he said.

Kenneth Strassner, vice president, Global Environment, Safety, Regulation & Scientific Affairs at Kimberly-Clark, said that business leaders need to understand the business climate their company is in this year. “Make sure you are relevant and contributing to business success this year. Cash is king this year because cash gives you the ability to respond. If you have no cash, you can’t respond,” he continued. When you are looking at sourcing and supply, “make sustainable development part of the standard management system; take advantage of the planning that is being done for business and products to make sure it is considered in every case.”

Launching into the issue of trust, Kenneth said: “The trust gap is much more serious than any of us may think. At least half of the people you are talking to don’t believe you. We are underestimating the degree of anger. That leaves responsible companies with a real dilemma – you can be blamed even if you are not guilty. Honest companies make honest mistakes and suffer significantly greater consequences than a few years ago.” He underlined this by counseling the audience to “verify, verify, verify; if you say something public, make sure it is true; check it three times.”

Climate change: The practical and the tactical

The last panel of the plenary addressed the practical business implications of the evolution of global policy into national or regional legislation. Henrik Madsen, President and CEO, Det Norske Veritas moderated this session, where a majority of participants said that their companies were either already on the right track in addressing shifts in climate change policy and regulation, or “getting there”.

Vincent Mages, vice president, Climate Change Initiatives, Lafarge, said that the WBCSD Cement Sustainability Initiative (CSI) member companies, including Lafarge, do not see Copenhagen as the end of the game. In Copenhagen they do not expect a final agreement with all details finalized. But with or without results in Copenhagen, they want to continue their actions. He said the CSI aims for a simple approach considered credible and serious.

William Sisson, director sustainability, United Technologies Corporation, believes other sectors could benefit from the work of the Energy Efficiency in Buildings project. He said there are too many green building certification schemes and too many standards and metrics. “We are going to need to move the voluntary codes and mechanisms to something that is more backed by policy, regulation and government standards,” an idea that could be applied to other areas.

Robert ter Kuile, senior manager, Energy and Climate Change at PepsiCo International said that measurement and communication are the first steps to maintaining credibility – calculate your carbon footprint, participate in external reporting mechanisms and develop and employ a

greenhouse gas reduction strategy, for both your company and your entire supply chain. He also emphasized WHY should you do all this - to actually commit to and bring about change and reductions.

Tuesday's plenary ended with a 90-minute Information Session in which the Focus Areas and a number of projects gave participants a quick update of their work and their plans. This was followed by an Information Marketplace, where delegates could discuss informally.

The week's highlights

The rest of the week was dedicated to Focus Area and Project working groups, highlighted below.

The **Business Role** Focus Area's Vision 2050 project is outlining a business view of the role in society to 2050. Their vision is "Living well, within the limits of one planet" and follows three "scenarios" – "moving the bars" (can we re-define the rules and what a good life means); "limbo dancing" (for the rich countries, reducing their use of resource); and "leapfrogging" (for developing countries to avoid following the same path as developed ones).

On sustainable consumption, companies realize that they cannot bring about sustainable consumption alone and that consumers need to make the decision of what is sustainable or otherwise. On valuation, companies and investors need to link up and close the gap in understanding what is needed for informed investment decisions surrounding companies pursuing sustainable development, their goals and their status.



In the "People Matter" session, WBCSD member companies recognized the important link between people and sustainable development: attracting talent/recruitment, developing skills, aligning incentives and embedding sustainable development. Participants agreed the WBCSD should develop a strategic approach to making people matter and demonstrating the connection to sustainability. This could include mapping tools and best practice, integrating sustainable development into human resource functions and advocating a sustainable development approach to educational institutions.

The Future Leaders Team (FLT) 2009 kicked off with sessions on exploring and enhancing the business contribution to development. FLT participants will work closely with the WBCSD's Development Focus Area throughout the year to explore how development issues affect their company and how business can enhance its contribution to development through inclusive business practices.

The **Development** Focus Area is exploring the poverty challenge. With regard to inclusive business, the aim was to gain a deeper understanding of the barriers to and opportunities for innovating while doing business with the low-income segment as well as gauging member interest in revising a guide to inclusive business in practice.

Also addressed was the role the WBCSD could/should play to identify the most important barriers as well as key enablers to scaling up energy investment in developing countries. The Development and Energy & Climate Focus Areas will explore how the issue of deployment of low-carbon energy solutions in developing countries can be addressed at the WBCSD, while the Development Focus Area will continue its involvement in the Energy Poverty Action initiative and the Asian Development Bank "Energy for All" initiative, and will seek synergies with the work of the Electricity Utilities project.

Finally, the *Mobility for Development Executive Summary* was launched. The project studied the state of mobility in four rapidly growing cities in the developing world – Bangalore, Dar es Salaam, São Paulo and Shanghai. Overall, mobility systems are not sustainable and for poorer residents

the mobility situation is deteriorating. However, the project concludes that mobility opportunities are increasing and are an important driver of economic development in all cities.

The **Energy and Climate** Focus Area's Copenhagen Roadmap meeting discussed ideas for future activities related to international energy and climate policy development, and other potential areas of work related to technology solutions and implementation. Members firmly supported the focus on Copenhagen and UNFCCC activities and expressed an interest in further scoping work on international financial mechanisms and to further scope work on a "beyond Copenhagen" implementation project.

The Focus Area came together to discuss the IEA's work on Energy Technology perspectives for the next two years and identified areas of interest and involvement for the companies, while McKinsey presented its Project Catalyst work in the area of finance, to stimulate discussion with the companies in an area where there is still a need to bring new ideas. There was a lot of discussion around some of the critical assumptions made by McKinsey (cost to society, non-inclusion of transaction costs, contribution of specific technologies, etc.). A lot of work remains on how to leverage the funding required and how to channel where it is most needed without distorting action in different segments of the cost abatement curve.

The **Ecosystems** Focus Area discussions centered on the Ecosystems Valuation Initiative (EVI), their 2009 action plan and work on The Economics of Ecosystems and Biodiversity (TEEB). EVI phase two was approved and 10 member companies agreed to run Ecosystem Valuation pilots with IUCN and WRI as partners. The Focus Area's action plan was confirmed (including work on the Buy, Sell, Trade Ecosystems Game, ecosystems training/awareness materials, Ecosystems Services Review roll-out and regional uptake and the Convention on Biological Diversity 10th meeting, as well as the uptake of a member survey). TEEB discussions centered on the business case for biodiversity and the most effective means to improve the biodiversity performance of business and develop markets for ecosystems services. Importantly, the group came out with the following learnings:



- Need to consider implications for business of all forms of biodiversity/ecosystem loss (pollution, conversion, over-exploitation, invasives)
- Biodiversity and ecosystem services are different from carbon – what are the implications for business?
- Need simple/adaptable metrics/indicators to identify corporate biodiversity “debtors” and “creditors”
- How to turn unknown environmental (legal) liabilities into measurable and therefore more manageable business opportunities?
- Where/how should governments act to make conservation more attractive to business – need smart, enabling regulation
- Explain alternative solutions/options with concrete examples (e.g., subsidy reform, eco-labelling, habitat banking) – no one-size-fits-all.

The **Water** working group held its meetings in Istanbul, on the occasion of the 5th World Water Forum. The huge amount of attention being given to water issues worldwide highlights the importance of finding water solutions to the critical challenges ahead. It also shows that there is now an immediate need for broad-based collaborative action.

The **Sustainable Forest Products Industry** plans to support The Forests Dialogue's ongoing process on forests and climate issues in the run-up to COP 15 in 2009. It will also continue to maintain, update and promote the WRI WBCSD *Guide to the Sustainable Procurement of Wood and Paper-based products* (first on-line update available end of April); and, with the assistance of PwC, finalize, launch and promote its *Sustainable Forest Finance Toolkit* to progressive financial



institutions interested in supporting the sustainable management of the world's forests (May release date).

The **Cement Sustainability Initiative** (CSI) talked about the future direction of the group along with key issues facing the sector. There were discussions on updating the charter, and charting member completion of CSI commitments.

The **Electricity Utilities** Working Group talked about how the project will move forward after Phase 3 concludes in April. Members would like to keep the focus in 2009 more on advocacy and policy. A couple of activities were identified for 2009. The group believes it should deliver sector specific input to the WBCSD Energy & Climate Copenhagen Roadmap team and carry out a stakeholder dialogue in Brussels. A potential side event in Copenhagen was discussed.

The **Maritime Project** discussed how they could further develop the project, including: clarifying the shipping/maritime value chain and business model; identifying the technology, structural and reporting issues challenging the industry; and exploring how to position the project such that it will engage the full set of players involved in the logistics of moving products/goods/commodities around the globe in an efficient and sustainable manner.

The **Urban Infrastructure Initiative** draws on existing WBCSD work, such as the Energy Efficiency in Buildings and Sustainable Mobility projects together with Mobility for Development, Water, Ecosystems and Electricity Utilities. In Montreux we further explored how the WBCSD should approach the urbanization issue. Building on earlier scoping sessions, some ideas for a way forward were discussed and 10 or so companies in the room agreed to help shape a draft proposal in advance of the October 2009 Council Meeting in Washington, DC. We will also invite companies which took part in previous scoping sessions to contribute.

Regional Network partners expressed interest in learning about best practice in retaining members in times of economic crisis. Most found the past Best Practice Survey useful and will participate in a follow up round. Regional Network partners will continue to be closely involved in the roll out of WBCSD tools and/or will organize events. For example:

- The Corporate Ecosystem Services Review will work closely with the Latin American network.
- On Energy and Climate, the Brazil BCSD will be holding a pre-COP meeting for a business dialogue with government.
- TERI-BCSD India has developed a Corporate Action Plan on Climate Change while the Confederation of Indian Industry proposed developing actions even in view of a possible failure at Copenhagen.

The Regional Network also talked about communication tools, including a website, newsletter, brochure and a new best practice survey.

As usual, the week's events included **Learning by Sharing** sessions, allowing for informal, off-the-record discussions among peers. Members acted as speakers and facilitators on topics that cut across the work program and focused on emerging issues including: navigating the UNFCCC; leveraging fiscal stimulus; managing energy demand; how to build and implement a code of conduct, charter, manifesto or other commitment to action; downsizing responsibly; and measuring corporate impact on ecosystems.

The 2009 Montreux WBCSD Liaison Delegate meeting closed on a buoyant note, after a week of glorious weather.